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FREE: Strait of Hormuz: A Citrini Field Trip

Analyst #3 on Assignment

[Citrini](#)

Apr 08, 2026

We are sending a free copy of our entire [Strait of Hormuz Field Trip](#) that we published on Sunday to all of our subscribers to highlight Analyst #3's valuable insights which were proven correct last night. To quote:

*Every conversation Analyst #3 had in the region converged on one point: **Iran does not want the strait closed** [...] Iran wants things to return to normal as fast as possible, provided it occurs in a way that asserts Iranian sovereignty [...]*

Iran is viewing this as a wager with decent odds. In two out of three scenarios, they come out better off [...]

Iran's Wager: A Decision Tree



Source: CitriniResearch analysis, 2026.

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All of the paths lead to ships flowing through the strait, though.

While all branches of the **Iran's Wager** would lead towards increased strait traffic, we now know the specific path.

Last night, Trump choose Branch #1: "US Seeks off-Ramp". Along with a two-week ceasefire, Iran has agreed to allow "safe passage through the Strait of Hormuz... **via coordination with Iran's Armed Forces**". The news prompted a massive selloff in prompt-month crude futures, normalizing some of the steepest backwardation on record (see Trade #3).

Below, you can read Analyst #3's story in his own words. To get more insights *before* they hit the front page, subscribe below.

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GREETINGS

FROM

STRAIT OF
HORMUZ

Introduction

CitriniResearch's *raison d'être* is taking complex topics of interest for investors and explaining them in a way that's intuitive. That's why our work spans so many asset classes, and it's why sometimes we write in-depth sector primers, macroeconomic missives and, occasionally, hypothetical scenarios that result in us receiving death threats (only *semi-credible* ones).

Talking about something confusing is what gets us excited. It's also where great investment ideas are born.

The situation in the Strait of Hormuz is nothing if not confusing right now. So, CitriniResearch sent our incredibly capable field analyst – dubbed **Analyst #3** in order to avoid emotional attachment – on assignment to the Strait of Hormuz. Armed with a fluency in four languages including Arabic, a Pelican case full of equipment, a pack of Cuban cigars, \$15,000 in cash and a roll of Zyn, #3 set out to fulfill the itinerary we'd planned in our Manhattan offices the week prior.

We figured we'd leave with an impression that was basically "The strait was closed or open." We also were quite aware that the trip might be a flop and we would learn nothing at all. However, we came away with a much more nuanced understanding of the current environment and the transition to a multipolar world.

If David Foster Wallace were alive today, he'd be reporting from the bar in a beachside town on the Omani coast– taking notes on a napkin about the particular quality of silence in a hundred-room hotel with three guests, watching tankers drift towards, but never quite reach, the Strait of Hormuz. That's our inspiration here, if DFW was also concerned with finding alpha.

This is a story about the most consequential place on Earth right now — the fifty-four-mile passage between Iran and Oman through which the global economy flows, or doesn't. There was no shortage of alpha on the Strait, including concrete information on the new rules, being written as we speak, on how the Iranian Revolutionary Guard is deciding who can, and can't, pass.

Analyst #3 decided – against the counsel of an Omani border agent, the implicit counsel of God, and the extremely explicit counsel of two Coast Guard officers holding assault rifles – that he was going to the center of the most consequential waterway on earth, during a live war, in a speedboat with no GPS, captained by a man he met three hours ago at a port inlet by pulling out a wad of cash. *For investment research purposes.*

Here's the story.

Into the Strait

Before crossing into Oman, the officer asked Citrini Analyst #3 to sign a document. The pledge — preprinted, presented over tea at a desert checkpoint — was an agreement not to engage in photography, journalism, or info gathering of any kind within the Sultanate of Oman. He signed it.

The officer then opened Analyst #3's rugged Pelican case to inspect it. What he missed: the gimbal, the microphone kit, the recording sunglasses. The assignment was on.



On the other side, #3 talked his way onto a rickety speedboat with no GPS, defied advice from Omani officials to turn back, and rode on the open seas eighteen miles from the Iranian coast while Shahed drones flew overhead and Revolutionary Guard patrol boats ran patterns in the distance. He swam in the Strait of Hormuz smoking one of the Cubans he still had on him.

And then, he was intercepted by the Coast Guard, detained, and had his phone confiscated — before, eventually, making it back home to share everything he'd learned with us in an 8-hour debrief session.

This is what Analyst #3 found on his field trip to the Strait of Hormuz, from his point of view, with some key names, places and details of key events changed to protect the safety of anonymous sources. The quotes are based on his memory of the events, translated from the original Arabic. Which is the best we could do from an accuracy standpoint — considering #3's phone, and all of the notes and photos on it, is thousands of miles away, likely being combed through by the Omani authorities as we speak.

I. The Idea

“What if I just went to the Strait of Hormuz?”

It's the kind of question that starts as a joke — the kind of thing you say at two in the morning to yourself in bed that doesn't survive contact with daylight, that joins the vast graveyard of schemes you were absolutely going to execute before you fell asleep and woke up a person with responsibilities again. But it wasn't 2AM, and we weren't in bed.

We were sitting in CitriniResearch's offices, in Midtown Manhattan, watching the biggest geopolitical crisis of the decade unfold on our phones. We watched the most liquid markets in the world fluctuate like meme-coins in a game of Trump Tweet-AP Headline pong.

It was clear that nobody — literally nobody, not the analysts, not the correspondents, not the retired generals doing hits on cable news and least of all us — actually had any idea what was going on. Everyone was working from the same stale satellite imagery and the same unnamed Pentagon sources and the same AIS shipping data, which, as I would later discover, was missing roughly half of what was actually transiting the strait on any given day.

And, after all, wasn't it our job to make confusing investment environments less confusing? I wanted to do that, I had the connections to make it happen (at least some of it) and it would make for a pretty great story. So it was decided.

From Citrini's apartment in New York, we packed a Pelican case with a Xiaomi phone (that had a Leica camera with a 150x zoom, a souvenir from our trip to visit Robotics factories in China), an EPIRB, \$15,000 in cash, a gimbal and a microphone kit. We sat down and researched an itinerary, working backwards from the questions we most wanted answered.

Proposed Strait Intel Trip: The Citrinerary

Day 0: Dubai - DIFC

- Source meetings: ship brokers, commodity traders, tanker analysts.
- Establish the baseline: what do the screens say?
- Speak with 'informed parties': determine expectations of military operations and shipping.

Day 1: Fujairah

- Boat at dawn: hundreds of idle tankers, billions in stranded cargo.
- FOIZ tank farm perimeter: which tanks burned, which are full, which grades are short.
- Ship agent row, Radisson bar:

Day 2: Khor Fakkan -> Dibba -> Khasab

- North along UAE east coast: Khor Fakkan container port absorbing diverted cargo.
- Cross into Musandam at Dibba: the tripoint where three jurisdictions share a bay.
- Arrive Khasab: Harbour at dusk, watch dhow movements toward the Iranian coast.

Day 3: Musandam Waters

- Full day by speedboat: Khor Sham fjord and Telegraph Island. Push to Kumzar - Iranian coastline visible, ~15km across.
- Negotiate with a fisherman: to approach the Traffic Separation Scheme.
- Conduct manual vessel count: against live AIS on the phone.

Day 4: Khor Najd -> Bukha -> RAK -> Dubai

- Khor Najd by 4WD: the only road viewpoint onto the Gulf-side shipping lanes. Observe Strait passage and boat activity, gather intel from locals, ground truth vs. Vortexa in real time.
- Bukha fishermen: with cross-strait contacts.
- Through Ras al Khaimah: dhow yards, creek traders, the physical infrastructure of the informal Iran trade.
- Back to Dubai.

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I'd land in Dubai, speak with some informed parties I knew and contacts of CitriniResearch's, drive to Fujairah for some B-roll and information gathering at the oil terminal, then cross into northern Oman's Musandam province, get to Khasab, and try to get on the water.



Credit: Dan DeLorenzo

I started calling tourism companies trying to book a boat to Kumzar — an Omani village only accessible by sea, the closest inhabited point to the Iranian coast. It was an opsec mistake in retrospect — telegraphing my visit — but I couldn't think of another way to secure a ride. And on the bright side, from an opsec perspective, the identities I was sharing were totally made up.

I tried something different every time I picked up the phone. Adventure tourist. Oil trader who wanted to count the boats going through. Real estate investor. (*"Bro, what do you mean I'm the first real estate guy you've heard from? This is the perfect time to buy! Land is cheap right now! Buy when others are fearful!"*) Didn't matter what I said on my end. What they said on the other end was consistent: "No."

Except for a single dolphin tour outfit. They said yes. Turns out: the IRGC can stop oil tankers. Dolphins are not intimidated. I had my ride to Hormuz.

We compared a list of all the contacts we had, and created a list of questions for each of them. Questions for shipping agents, maritime brokers, bunkering firms, government officials, military officers, local businesspeople intermediaries and everything in between. We'd gather as much information

from people living and dealing with this in a real way as possible, then I'd go and observe the strait with my own two eyes from the tip of Oman.

I landed in Dubai and went straight to Fujairah. Anyone can make this trip, but it was still worthwhile. I saw the damage on the storage tanks from a previous strike, which was much less than I expected – a worker there told me that Ruwais got it much worse.

I was speaking with some people who were just doing their job, three weeks after a drone strike could have killed them. I managed to speak to a few people there off the cuff, from GPS Chemical and Chem Oil. They confirmed that operations were at about 30% of pre-conflict levels, but the port was back to operational. I wasn't going to finesse my way into accessing the terminal, so I drove back — just in time for the poker game I play whenever I'm in Dubai.

No sleep since New York.

I was in the kind of headspace where it's very hard to make money playing poker.

II. The Poker Game

Every time I go to Dubai, I play in the same game.

The guys at the table are the people I'd call if something went wrong anywhere in the Gulf.

The war, they all seemed to agree, was going to last way longer than people imagined. The next meaningful escalation, one predicted: strikes on Qeshm. Four days later, it came true. I was told to leave the region by the 6th — that was when they said, “shit is gonna pop off.” American soldiers had been amassing in the region at a much higher rate than reported, and the number of Iranian drone strikes seemed to have been much higher than anyone in the US was thinking. I asked what they were targeting, “Americans, brother. Americans and American infrastructure”. Seemed like a stupid question in hindsight.

At some point I dropped the news: “I'm going to Musandam. I'm going to be on the strait.”

Everyone laughs it off.

Then they realize, for maybe the first time ever at that table, I'm not joking around. "Bro, what are you talking about?" One guy wanted to come with me but said his dad would kill him.

I asked if I could call these guys if something went wrong. They said they weren't sure it would make a difference. And then one of them started chuckling, before launching into a story about a situation he did not view as too dissimilar to this one.

"There was an Emirati fisherman a couple years back who waded into Iranian waters unknowingly. The IRGC caught him. And then they brought him back to the Emirates," he said, pausing. "In a barrel. In seventy-two pieces."

What do you say after that?

Nothing, for a moment — until one of the other guys jumped in with a constructive idea. "I just bought Meta Ray-Ban glasses," he said. "Want them?"

I said yes — and threw them in the Pelican case.

Poker wraps up around six in the morning. I hop in the car for the Omani border. My brain is mashed potatoes. Adrenaline from the idea of being on the strait is the only fuel.

III. The Border

Dubai is still, in many ways, Dubai — Cipriani is still popping (albeit less popping than pre-crisis), all bellinis and meringue — but as you drive toward the border with Oman the veneer peels off in stages. American soldiers where there used to be nothing, empty roads where there used to be traffic, and then a rickety desert crossing in the middle of nowhere that looks like it was built to process livestock and has been repurposed for humans.

I made the mistake of snapping a picture — so sleep-deprived I was just holding my phone up, very obviously, as if I were a tourist at a scenic overlook rather than a restricted military border zone. The guard stared at me with the expression of a man trying to decide whether the person in front of him is a threat or simply an idiot. "Did you just... take a picture?"

The UAE side had been fine — stamp, back in the car. The Omani side was not. I got directed into what I can only describe as the worst desert DMV on Earth: four Pakistanis drinking tea barefoot, running back and forth between windows with the efficiency of people who've been doing this for decades and would very much like to continue doing it without incident. I'm standing

there in a snapback and American Apparel sweatpants. Everyone ahead of me sailed through — stamp, gone. I handed over my Western passport and the two guards looked at it, looked at each other with the kind of wordless communication that is never good for the person being looked at, and one of them said, wait one sec.

Ten minutes later a man came downstairs who starkly contrasted everyone else at the crossing — traditional Omani hat, pristine dress, the kind of person who smells expensive and speaks perfect English and is clearly operating several levels above the guys stamping passports. “Nice to meet you.” He pulled me into a back room with tea and began asking questions with the unhurried patience of someone who already knows most of the answers and is mainly interested in watching you try to construct the ones he doesn’t.

He asked for the names of my parents. Where they’re from. Where I work. Then, delivered with the same pleasant tone: “You understand the rules here against photography, journalism, and intelligence gathering.” He asked about allegiances, the war, Israel. I told him I love everyone and I’m a tourist. He asked about my religion.

“Are you Shia or Sunni? What kind of Muslim are you?”

“A bad one. I had three drinks two hours ago.”

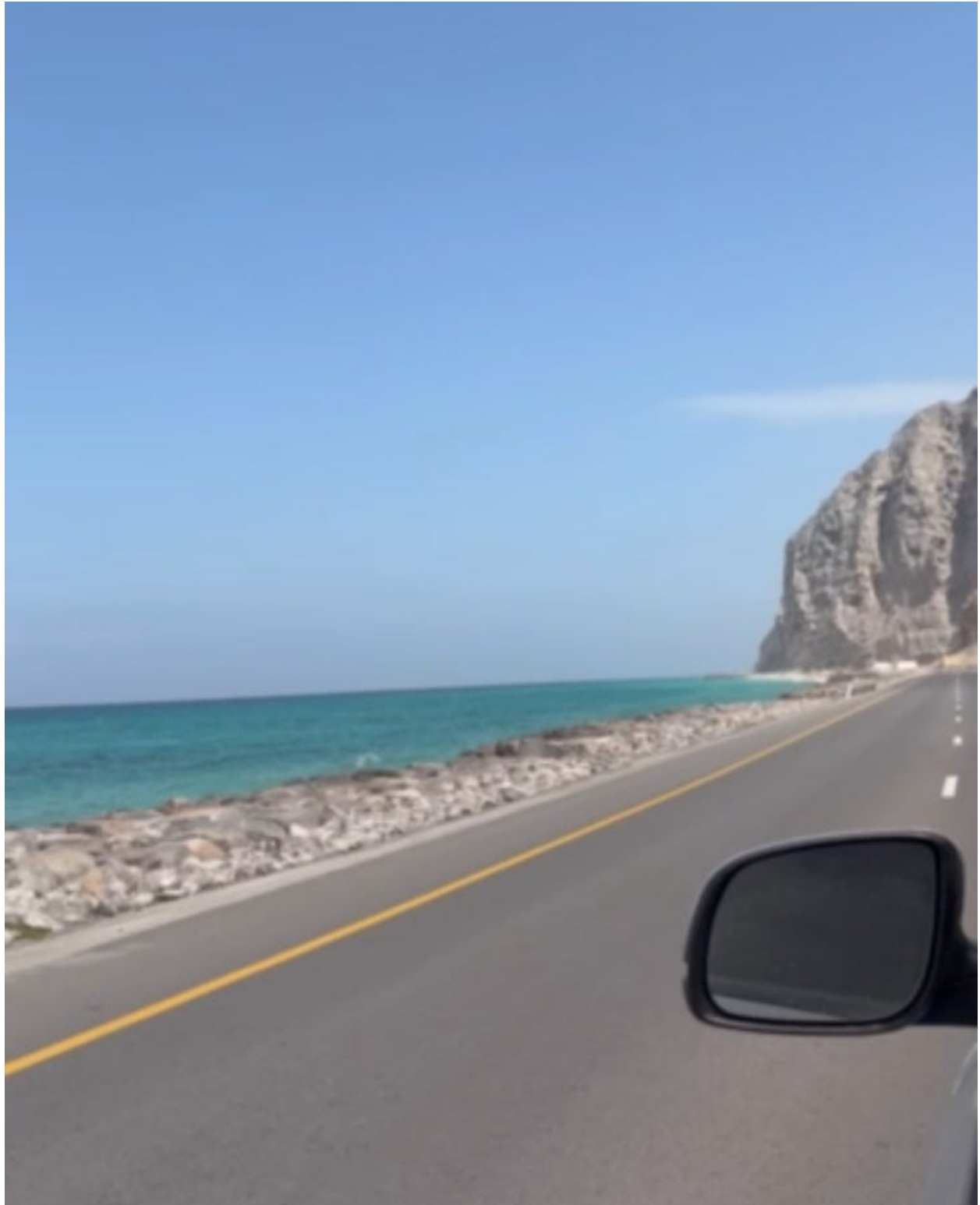
He made me sign the pledge — a formal prohibition against reporting, photography, and information gathering, with full legal consequences — and watched me actually read it, which seemed to make him more suspicious rather than less, because apparently the expected behavior when presented with a legal document at a desert checkpoint is to just sign it, and the fact that I was reading it suggested I was the kind of person who thought carefully about what he was agreeing to.

Then he said he’d look through my bags and asked if there was anything constituting recording equipment. The gimbal I could explain away. The Ray-Bans are sunglasses. But the microphone kit — furry windscreen, professional recording setup — that would end the trip before it started.

He opened the Pelican case. Cigars on top. I offered him one. He took it, nodded with what I interpreted as genuine appreciation, lifted one layer of sweatpants, and closed the case.

IV. Ghost Town

Forty minutes past the border, the Omani coast opened into something genuinely beautiful — crystal water, mountains falling into the sea.



The first meeting I had in Oman reinforced the counterintuitive but persistent theme I repeatedly encountered: you can have hot war and commercial diplomacy happening at the same time. Before this trip, I was thinking about the situation in binary terms: either the strait is open or it's closed. Either the conflict is escalating or it's winding down. That's not how it works.

I managed to secure a meeting with an Omani official. A stoic, almost Yoda-like figure who had spent his entire life on the mouth of the Strait. He referred back to the Iran-Iraq war, the Iraq-Kuwait war and the 1970s crisis.

"What you'll see happening," he told me, "is a huge uptick in traffic alongside continued ground conflict in Iran."

"That sounds contradictory," I replied. He acknowledged this.

"Yeah, we just adapt to what's going on. And like, this might seem counterintuitive to you, but this is the way of the region." The framing he gave me was simple enough: The ground operations may or may not continue. Everyone else is trying to get on with their lives. It was described to me like two of your friends are having a fight, and the rest of you are still living your lives and going to bars. That's the story on the ground.

Afterwards, I arrived at my hotel. Normally a tourist destination, now looking like The Overlook from The Shining. I was one of two guests in a hundred rooms, the whole place being run at a loss to maintain the illusion that tourism was still happening.

The dolphin tour guy cancelled on me as soon as I tried to get back in touch, which, to be fair to him, was the rational response to the current security environment, and which was also, to be fair to me, extremely inconvenient. I walked the town for hours — talking to everyone, hotel staff and fishermen's families and anyone who might know someone with a boat — getting rejected by every operator, twelve grand in cash in my pocket and no ride to the strait.

I was the only Western person in the province, walking around in American clothes with cash in my pocket and wired headphones in, on the phone with Citrini while cars slowed down to look at me and kids pointed. The general atmosphere was that of a small town dealing with a moderately confusing alien visitation. It was the opposite of laying low and blending in.

I ended up at a tiny canal off the heavily fortified main port, with speedboats along each side, where I met a group of Iranian smugglers who told me their entire career was running contraband to Iran: electronics, cigarettes, alcohol, every day. I asked if they get arrested. Sometimes. One of their friends had died the week before.

These guys were pro-IRGC and they were blunt about what they wanted: the strait open, under Iranian management. They wanted the business. They wanted the money. When I asked if the conflict had slowed their runs, they laughed.

They were in the Strait every day, there had been no decrease in illicit traffic — which, if you think about it, is its own kind of market signal. Just like the tankers leaving Kharg, if you're a ship aligned with the IRGC, you don't think twice about heading out to sea. It's a sign that Iran has the ability to be selective regarding which ships to hit.

Among this group of guys, there was only one Omani in the group. I went up to him and spoke Arabic. His name was Hamid, and after I pulled out a wad of cash, he said he'd have a speedboat ready by morning.

V. "Fuck The Police"

That night I passed out around nine and was woken by the worst sound I've ever heard a telephone make — a low, droning, flatlining beep. The front desk informed me that two gentlemen from the CID were downstairs to ask me questions. CID, in the Gulf, is the CIA, with even less chill.

I chucked my iPhone in the room safe and grabbed the burner. They'd seen the Citrini tweets about Analyst #3 — thanks, James.

I went downstairs in my pajamas and hotel slippers. There's a piece of opsec you learn as an Arab English speaker: if things get sticky, you only speak English, because Arabic opens doors you don't want opened — the possibility that you're a spy, a sympathizer, any number of things that are very hard to shake once someone decides you might be them. So I came downstairs speaking English only. "Hello guys. How are you? I speak English." The hotel receptionist — the same man I'd been chatting with in Arabic all day — turned to the agents and said: "This guy speaks perfect Arabic."

They told me to come with them. I asked if I could change out of my pajamas. They said get in the car. It was pitch black outside — and, also, inside the Honda Accord with two agents in the front and a very large man in the back who was about to become my seatmate. For twenty minutes we

drove through Khasab, a town with no streetlights carved into mountains, the kind of darkness where you can't see the road, and not one of these men said a single word. The only sounds were phone calls from a superior: "Do you have him?" and "How far away are you?"

I broke the silence and asked if there was a problem. The guy in front turned to the agent who'd picked me up and said, "Answer him." The agent said, "No problem," and the car went quiet again. At the station: "We have him in custody."

They went through everything, leaving the room and coming back, letting me stew. "We just find it hard to believe you're here for tourism." They hinted I was working for another government, bluffed me about an Iraqi passport I don't have, took a written statement, and asked who I was with in Dubai. When I gave them a certain last name of someone I knew, the energy in the room shifted in a way that suggested this name meant something to them. I told them to call him and confirm that I was chill. They left me alone for hours in the kind of waterless room where you have a lot of time to think about the series of decisions that brought you here.

On the way out, having apparently decided I was more idiot than spy, they delivered the real blow: "*We know about your boat trip. Cancel it. You're not going.*" They dropped me off back at my hotel with a parting comment, "*We hope to have you back as a tourist in less...sensitive times.*" A sincere, but eerie comment.

I messaged Citrini on Signal. The trip was dead. I got back the kind of message you send when you're trying to be supportive from a comfortable distance: "Dude, it's okay. It's not meant to happen. It's probably safer for you not to get on the strait, ship numbers and conversations are fine."

I stared at that text for a long time. The intelligence service had told me explicitly to cancel. Hamid's number was compromised. The rational move — the move I would advise any other human being on earth to make — was to go to bed and drive back to Dubai in the morning as a person who had tried and failed and could live with that.

I messaged Hamid and told him what happened. The CID pulled up, took his number, took my shit. Then I wrote: "What if we just went anyways?"

Hamid wrote back, in Arabic: "Fuck the police."

VI. The Strait

In the morning, Hamid's "speedboat" turned out to be a forty-year-old dinghy with a few-hundred-CC engine and no GPS — everything by feel, navigation by a lifetime of knowing these waters and a shitty radio half-lashed to the hull. As we headed out, two Iranian smugglers we'd seen loading up at port ripped past us toward Iran, and minutes later two Coast Guard ships appeared out of nowhere and detained them. While every officer in the area was occupied processing two boats full of contraband, we slid along the coast and through unnoticed. Hamid looked at me: "We're good."

In Kumzar — a village so remote it speaks its own hybrid of Portuguese, Farsi, and Arabic, where half the families have relatives in Bandar Abbas and people transit to Iran as casually as they transit within Oman — I ate bread on the ground with fishermen who told me things that no tracking system and no satellite can show you.

Tankers passing through four or five a day, completely dark on AIS. The volume, they said, is higher than what the data suggests, and it's been accelerating in the past couple days through the Qeshm channel.

They told me about drone strikes on civilian vessels and fishing boats — things blowing up that aren't military targets and that never appear in any reporting anywhere. A man who'd been back and forth across the water twenty times since the conflict started put it like this: you see a vessel, you hear something, and it blows up. Just another day.

Old fishermen sitting on the beach told me both things at the same time — way more boats passing through than you think, and way more strikes happening than you think. I asked how these seemingly contradictory narratives could both be right. They didn't have a framework for it. They just shrugged. The neat binary — open or closed, escalating or de-escalating — simply doesn't match the observable reality from the shoreline of Kumzar. It's both more ships and more strikes. This was beginning to be a theme — US threats of total war while US allies negotiated with the target, drone strikes increasing at the same time that vessel traffic crossing the strait rose. Nothing seemed set in stone.

What I was told — by the Kumzaris, by an Omani official I met the following day, corroborated by Iranians on the water — is that this is about Iran asserting that you need *approval* to transit, but the approval is kind of a propaganda tool. A way of portraying the US as the unreliable ally and Iran as the rational actor making the best of a bad situation.

It is Iran saying: We can operate the Strait peacefully, we can enforce safety under our management, and the proof of our sovereignty is that commerce will continue to flow regardless of what the United States does. Follow our process, pass our diligence, and you're fine.

It also reminded me of something I had heard in Ras Al Khaimah. There, in a hotel bar, I met with an Aussie Greek vessel captain — a grizzled, bald guy who looked like Mike Ehrmantraut from *Breaking Bad*.

We left the bar, walked out to the port and smoked cigarettes as he laid out the mechanics of the Iranian Toll Booth. His ship was in queue to receive Iranian approval to transit. They were in the process of submitting information. He described a queue of vessels lined up in this back-and-forth with Iranian intermediaries, waiting their turn. You don't go through if you don't get approved. This is the difference between a blockade and a toll road, and the market has been pricing the former while the reality on the water is setting up to look a lot more like the latter.

He disabused me of more than a few ideas that, in hindsight, can only be described as situation-monitor-slop. He told me nobody really thought the strait was mined. His reaction to the idea of insurance being the only reason vessels weren't crossing was one of near incredulity, *"The bottleneck is not wanting to die. Insurance? Do you think we want to die?"* he asked. *"Look, some guys will run it. Dynacom, Sinokor, they've got balls. But think about it from the owner's side. You send your ship through, it gets hit, now what? You're out a vessel in the hottest rate environment any of us have ever seen. Insurance pays you out, great, but you can't buy a replacement tomorrow. The fleet's spoken for. Meanwhile the guy who kept his ship parked as floating storage in the Gulf is printing money doing nothing. So yeah, it's not just about dying. It's about being stupid."*

As I stood looking out on the waters of the port listening to him explain this all, I realized how many of the narratives that had been tossed across the desk or on IB chat were beginning to seem...well...pretty fucking stupid. These were real people out here, with real human motivations and real human emotions. That same framework applied to most of the decision-makers involved.

The Omanis — the most neutral observers in the Gulf, neighbors with Iran the longest — generally agreed with this characterization. Their view was that the Iranians were rational and predictable. The Kumzaris, whose families

live in Bandar Abbas and whose army is the IRGC, had more extreme views. They told me this war would be their chance to humble the empire.

We left Kumzar and headed for open water.



When the Iranian coast came into full view, I lit a cigar. Twelve miles out, Qeshm Island was visible in the distance — the first island in Iran, which would be hit by airstrikes the following day, a fact I did not know at the time other than from my friends at the poker game who warned it could happen. The day after that, it would be the site of a U.S. F15, and later an A-10, being shot down.

Then I looked up, and the war became real in a way that no amount of satellite imagery or AIS data can prepare you for.

You can see the Shahed drones with your naked eyes: propellers spinning, cruising through the sky at low enough altitude that the silhouette is unmistakable. I raised my phone to take a picture and Hamid — the fuck-the-police guy — screamed at me not to. American drones were operating separately, higher up. AIS-off tankers were appearing on my phone's signal from the Omani SIM, ships that don't exist on any tracking platform, ghosts on the water that the Kumzaris had told me about and that I was now watching with my own eyes.

And then I saw a Greek Dynacom ship ripping straight through the center of the strait — not hugging the margins like every other captain, not creeping along the coast, but charging through the middle as if this were peacetime. It was the only vessel doing that. Everyone else was hedging, minimizing their profile, trying to be small. This ship was not shy. It had clearly cut a deal, exactly the kind of bespoke arrangement the Kumzaris and the Omanis had described. If you want a single image that confirms the thesis that the strait is reopening under Iranian management, it's a Greek tanker running full speed through the center of Hormuz while drones fly overhead and everyone else hides along the edges.

We also observed what appeared to be Chinese vessels transiting the Qeshm-Larak Channel, and confirmed ships flagged from India, Malaysia, Japan (LNG tanker), Greece, France (container ship), Oman, and Turkey.

Communities along the strait had reported two to four ships a day through the channel roughly in the two weeks before our arrival. We confirmed 15 ships crossing the Strait on April 2nd. The counting methodology was not exactly institutional-grade (a barstool with a sightline and a Chinese phone zoomed to maximum from the hotel, supplemented by a notebook on the water). But the data it produced was significant.

Contacts told us that pace continued on the 4th, with another 15-18 ships crossing. That's the prior week's worth of traffic in two days.

This all confirmed what the Aussie captain had told me — that the drones only hit tankers that refused to comply with Iran's rules of the road.

But out on the water, I remained vigilant. Hamid and the Kumzaris had told me about fishing boats getting obliterated for no discernible reason, random civilian vessels destroyed without warning or explanation, and likely accidents. These drones did not appear to be making fine distinctions between a noncompliant tanker and a forty-year-old dinghy.

So I figured, if I was out here, I might as well go for it. I hopped in the water and swam. Cigar in my mouth. Shaheds above. Hamid took a picture with my Chinese burner phone.

I hopped back onboard. Then the smuggling boats started running past — eight of them, maybe more, Iranian kids in their early twenties with big smiles, waving, throwing cigarettes across to us. I threw up a peace sign. And then one of them turned and pulled directly toward us at high speed from the direction of Iran. For five seconds I was certain it was over. The Emirati in the barrel — 72 pieces — was the only thing in my head.

Turned out, it wasn't the IRGC. Just another smuggler. He slowed alongside our boat, close enough that I could see his face. He was smoking a cigarette. I was smoking a cigar. He held out his cigarette and I handed him my cigar, and we looked at each other across the gap between two boats in the middle of the most contested waterway on earth, and we nodded, and we smiled, and neither of us said a word.

That's something I'll tell my grandkids about.

We decided [it was time to leave](#).



VII. The Port Jail

On the way back, riding the highest high of my life, reception flickering back on my phone, the Coast Guard intercepted us with rifles drawn. I went straight to English — “Tourist” — while they screamed at Hamid, and I was scrambling to send files to my other phone and delete pictures, because if they found a single photograph of a drone, I was gonna be in a bad spot — the kind the guys at my poker table couldn’t help me with.

The officers escorted us to the place where they process smugglers — the port jail, not the police station, not the border, the facility for people whose lives the system doesn’t particularly value. They took the Chinese phone, said they’d go through everything on it, and threw me in one room and Hamid in another. Hamid’s boat had no GPS, just a handheld radio MacGyvered to the hull, and when the Coast Guard asked if we had

navigation equipment and we said no, the officer delivered his assessment with the weary directness of a man who has seen a lot of stupid decisions and has ranked this one near the top.

After a while — and after a high up friend apparently made some calls whose content I will probably never know — they let me go. They told me I was a moron, they were keeping the phone, and if they found anything incriminating I'd be prosecuted.

I never heard back from them. That was the nadir of the whole trip — the moment where I was closest to real, life-altering consequences. But I didn't care. I would have gone to jail. I was so high on the fact that I'd actually been on the strait — that I'd done the thing, seen it with my own eyes, gathered information that nobody else had — that I felt nothing resembling fear. I went back to the empty hotel bar and drank eleven beers.

VIII. Getting Out

For the rest of my time in Oman I was under surveillance — three guys following me everywhere, the same faces at every turn, a car tailing me with the subtlety of a car that is not trying to be subtle. The staff was aggressively trying to get me to check out. It felt kind of fair. I hired a black SUV for a thousand dollars to take me around for the last few hours — should have been throwing money around from the start, because at these price points people will tell you anything and take you anywhere. Got fried chicken at a place called Hormuz Fried Chicken. It was gas.



At the border on the way out, the guard's first words when he saw me: "He's here."

They searched my bag. One of them picked up the Ray-Bans. "What is this?" "Sunglasses." He put them down. The microphone kit was under my pants in the back. He moved the clothes, didn't comment on any of the other contents.

"I guess it was someone else."

What We Learned and What It Means

That's the story. What follows is different. We spent eight hours debriefing #3 after he got back, cross-referencing what he saw and heard against everything we knew from our own sources, public data and the conversations we'd had with informed parties in the region. The narrative above is told from #3's point of view because that's the most honest way to present field reporting. The analysis below is told from ours.

The most important takeaway -- and our recommendation to readers -- is to drop biases and binary frameworks. What's happening is far more complex.

When we set off, we were under the assumption that the conflict would escalate and the Strait would remain closed off. This trip changed our mind on the latter, but not the former - a view we'd have thought was logically inconsistent before this assignment.

We also gained a more nuanced understanding of how things could proceed - our base case is less about closed/open and more about the messy outcome where the conflict continues at the same time that traffic through the strait rises. We view this as a symptom of the increasingly multipolar world we now live in, one where US allies are actively negotiating with Iran despite the US being engaged in an active conflict with them.

Higher Conviction Views

Traffic Through the Strait Will Increase:

Regardless of scenario, we see traffic increasing gradually. We saw one Greek Dynacom ship go straight down the middle of the strait, indicating that even if it is mined it is not done so in an indiscriminate, absolute traffic-blocking manner.



The Diplomatic Tollbooth:

One of the more surprising aspects was how orderly things were. Iran has set up a checkpoint in the Strait of Hormuz, a checkpoint in the Strait of Hormuz, routed all approved traffic through a channel between Qeshm and Larak islands, and is collecting payment for passage.



The Escalation Contradiction:

We heard credible evidence of US staging for more ground operations, yet we believe this can occur even as volumes through the strait increase.



Realignment, Not Victory:

There are not two sides to this story — there are myriad. The winners will not be determined solely through military successes, but rather through the realigned, multipolar world.



 CitriniResearch

And as for the mood on the ground? In the face of huge uncertainty and global attention was human resilience. There has been war here before -- there will be again. The US is interested, as always, in oil. The neighbors are fighting, the risk is real, but life goes on. This too shall pass.

Our Core Thesis: Parallel War and Diplomacy

The most counterintuitive finding from this trip is that hot war and commercial diplomacy are happening at the same time. The rest of the world is adapting and negotiating passage while the US continues with military action. US allies, including France, Greece, and Japan, are all figuring it out.

Before, it would have been unlikely to imagine a world where Japan, the EU and other US allies were negotiating with a country the US is directly in conflict with to secure passage while the US maintained footing for an escalation of kinetic warfare. Now, that's simply how the world works. These countries must deal with the issues imposed, as the US won't be sorting it out on their behalf. This is what Trump told them to do in his address when he said nations that rely on the strait should "take care of that passage" themselves.

This is also what makes us feel that it is distinctly likely that we see both an escalation of the conflict within the next week or so while traffic

simultaneously increases through the strait. The strait is not exclusively open or closed as a function of whether the conflict is escalating or de-escalating.

The Qeshm Island port strikes are the clearest illustration of this. The strikes temporarily slowed movement. During the bombing itself, ships weren't really moving. But there were passages that same day.



Satellite Imagery of Qeshm Island following the Airstrikes

A ship crosses through the Qeshm-Larak Channel shortly after the Qeshm Airstrikes (Picture taken by Analyst #3 on the phone they let him keep)



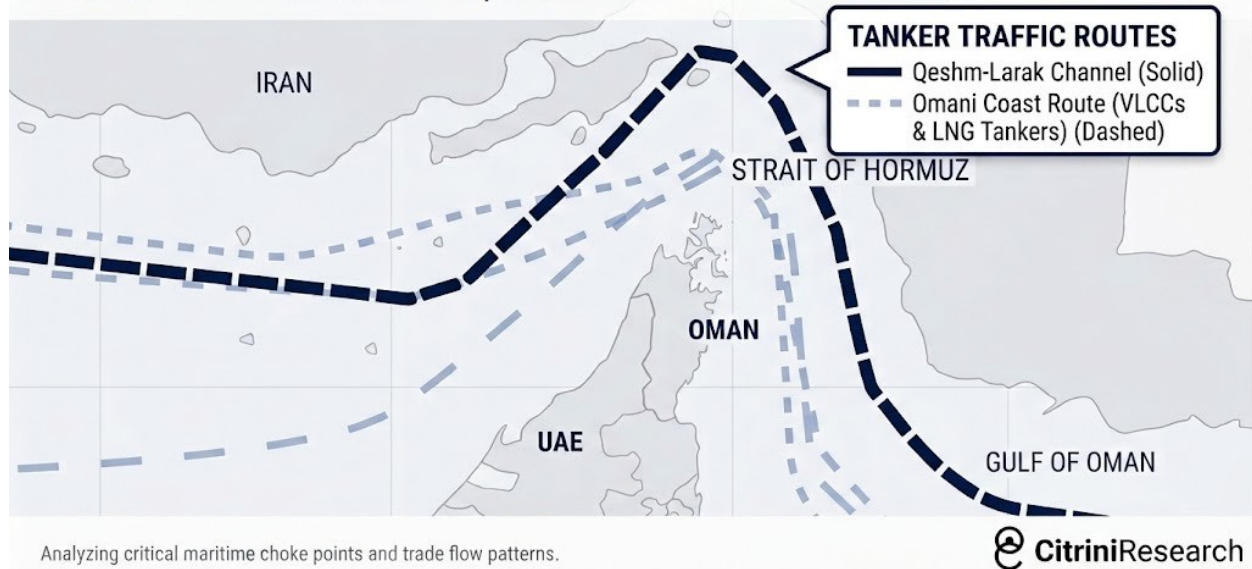
The strikes don't affect the long-term plan. You could blow the shit out of Qeshm Island and things would slow down, but it wouldn't change the fundamental trajectory.

Two days after #3 was on the water, a US F-15 and A-10 were shot down over Qeshm. The A-10 crashed into the Persian Gulf. Ships passed through regardless that day, as well.

On April 2nd, at least 15 ships crossed. The day after, more. Not a ton more, but more. People in communities along the strait told us that roughly two weeks before our arrival, the Qeshm-Larak channel was seeing maybe 2 to 5 ships per day. This still pales in comparison to the >100 per day that were crossing before the conflict, but we expect that this is how it will proceed. It will be messy, strait traffic volumes will pick up at the same time that the conflict proceeds.

MARITIME TRAFFIC THROUGH STRAIT OF HORMUZ

Route of Vessels: March 27 - April 3rd



Still, not many VLCCs have passed. In fact, not many vessels larger than Aframax at all have passed. If we keep seeing just LPG carriers and Handy-size tankers transiting, that doesn't change much. We would still be on a collision course for the global economy. The quickest way to avert that is for the US to allow Iran to run the strait...at least, for now.

Ships confirmed to be crossing included vessels from India, Malaysia, Japan, Greece, France, Oman, Turkey and China. Chinese vessels were spotted with AIS off, transiting through the Larak-Qeshm channel. We also witnessed what appeared to be the first crossings outside the Qeshm-Larak channel entirely: VLCCs and LNG tankers (empty) hugging the coast of Oman, transiting independently of the Iranian checkpoint.

The Greek Dynacom ship we saw went straight through the middle of the strait, the only vessel we saw do that. We have no idea how they pulled it off. George Procopiou, who runs Dynacom, has a history of running dark transits. This confirmed to us, at least, that the Strait of Hormuz is not currently mined in a way that the "booby trap preventing all passage" narrative would suggest, and is consistent with the view of getting the strait back in action. Whether there are deep sea mines that can be activated selectively we, obviously, cannot say.

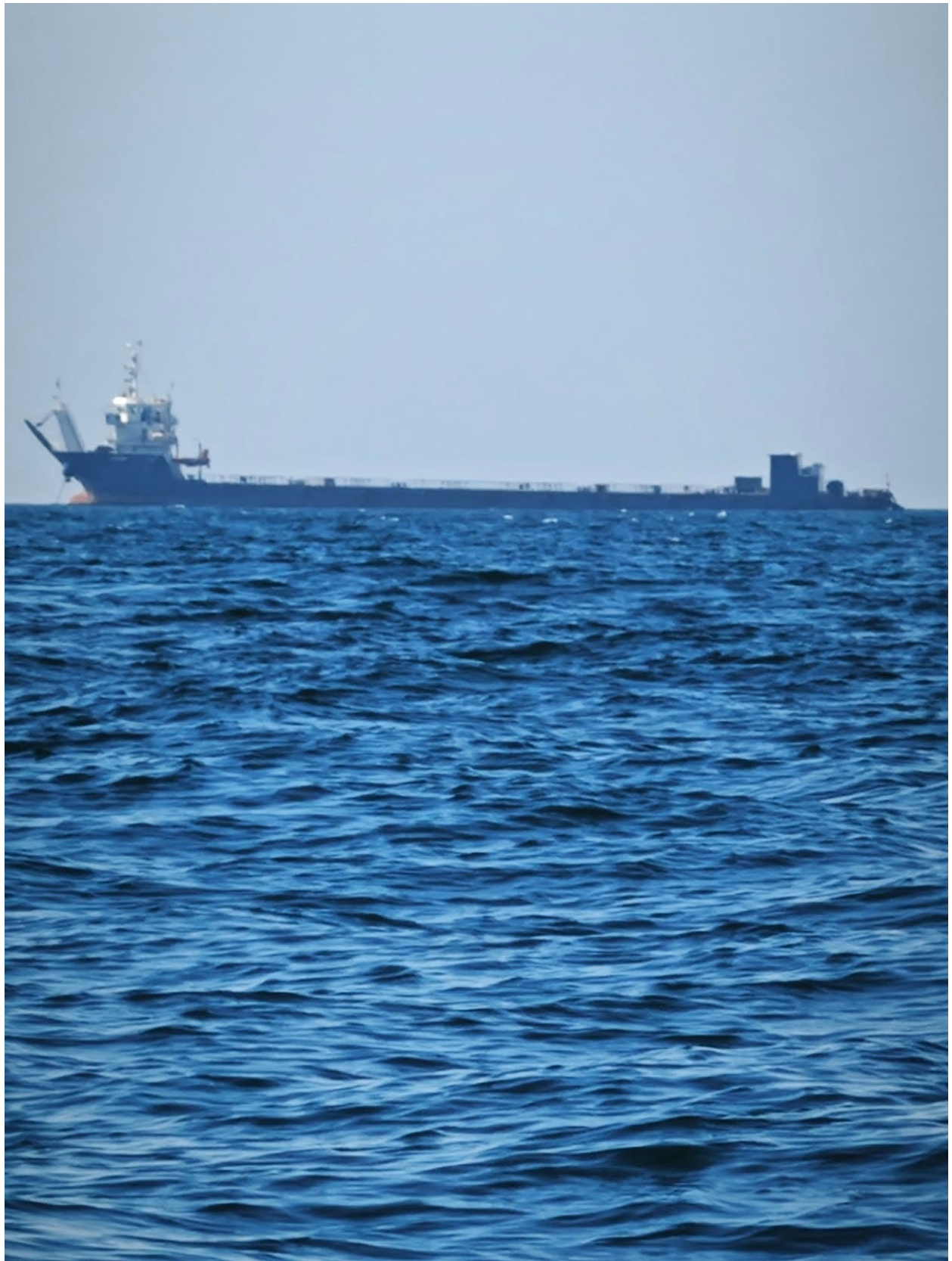
Iranian smugglers near Larak, whose whole lives consist of running contraband back and forth through the strait, told us they have seen a sharp increase in ships passing recently. Their impression was that nothing random is happening. Rather, all the ships passing through are talking to the IRGC and getting permission. Their expectation, relayed from family connected to the military, is that everything will go back to normal soon.

Could a US ground operation grind this trend back down to a halt? Sure. But a fighter jet getting shot down almost directly above the queue didn't. Airstrikes on the Qeshm port didn't. The operation would need to be immense and almost specifically focused on shutting down this traffic, which doesn't seem to be in anyone's best interest.

The Iranian Toll Booth: How It Works

One of the more surprising aspects was how orderly things were. Iran has set up a functional checkpoint in the Strait of Hormuz, routed all approved traffic through a channel between Qeshm and Larak islands (with some exceptions along the coast of Oman and the one Greek ship we saw cross through the middle of the Strait), and is collecting payment for passage. No vessel has used the traditional shipping lanes since mid-March.

The mechanics work like this: A ship or its country contacts a middleman broker and submits information -- ownership structure, flag, cargo, crew composition, destination. A payment is made: cash, crypto, or (far more commonly than reported) a diplomatic workaround like the unfreezing of Iranian assets held in foreign bank accounts that gets past fears of sanctions.



A tanker waiting to cross through the channel

The toll system is enforced through drone and satellite imagery, and ships are approved via stations on Larak island. Enforcement is selective. There's a real diligence process where the Iranians check whether the vessel is secretly US-aligned. They're looking at ownership structures and shareholder bases, speaking with the crew. This means it's not going to be as simple as "X country got approved so we will just fly the flag of X country on our ship". Iran will be making a concerted effort to ensure the motivation to cut a deal with them is there and that workarounds are minimal.

Once approved, the vessel is granted passage with some form of confirmation. We heard references to a code or password-like system. This applies to both dark transits (AIS off) and AIS-on transits. Nearly all traffic is being routed through Iranian territorial waters, rather than the traditional shipping lanes in Omani waters. If you pass, you get a confirmation code and you're escorted through. If you don't pass, you sit.

Perhaps the most important thing, however, is that vessels simply exiting the strait is not enough to have meaningful impact. Vessels must also return to reload cargos. That's what avoids a crisis here: vessels that are on the friendly or neutral list coming back to reload and keeping the flow of commodities through the strait running with business running seamlessly.

The Payment Myth. The consensus in Western media has been that these tolls are paid in Chinese yuan or cryptocurrency, and that's partially true. But what #3 learned from multiple sources on the ground is that the diplomatic channel is the dominant mechanism for non-Chinese vessels to get through - circumventing sanction fears -- and it's significantly underreported. Most of those payments are settled through a specific bank (Bank of Kunlun). The yuan story is real to a small degree but it's something of a front; those Chinese vessels will likely be able to pass without paying at all. Fear of OFAC sanctions are forcing other countries to find creative ways to pay - they're not necessarily paying in CNH. India secured passage through a diplomatic arrangement. France appears to have done the same, consistent with Macron's positioning against the US at the Security Council.

Insurance vs. Getting Blown Up. A popular narrative regarding crossing the strait has been that the only thing holding back ships from crossing is insurance. To put it directly, that's not the case. The primary concern is getting blown up. A secondary, lesser concern is paying Iran to cross and

then getting popped on violating OFAC sanctions. That's why, right now, there's a real shot of an off-ramp where Trump demands that Iran opens the strait, Iran works with Oman to implement a toll and ships feel safe enough with the IRGC's guarantee to cross.

If the US, at this point, demanded a full opening without the toll and, at the same time, launched an operation with the intent of preventing Iran from running a toll, the traffic would grind to a halt. And if that operation took longer than 3-4 weeks, we'd be looking down the barrel of a catastrophe. Right now, the net hit to global commercial oil stocks is estimated at 10.6 million barrels per day. Habshan-Fujairah has been forced offline twice, and even accounting for pipeline redirections, remaining Hormuz flows, SPR releases, imports of sanctioned oil and builds in mideast oil stocks, it is still generous to estimate that if the Strait is still only transited by 15 ships a day by the end of April the situation will be disastrous. *Everyone involved knows this.*

We believe that this is the situation that is most tenable – US escorts are less of a reassurance than IRGC permission right now. No ships with IRGC permission have been struck. Whether the US allows Iran to exert this toll on the strait indefinitely is another matter entirely, but we feel in the interim it is likely that no direct action is taken to prohibit it. As long as the toll allows for some degree of passage out, it buys enough time for a solution that solves for two-way flow to be reached before an economic disaster takes place.

Iran's Intentions and the Wager

Every conversation Analyst #3 had in the region converged on one point: **Iran does not want the strait closed.**

All non-US countries view a non-functional strait as a catastrophe and Iran wants things to return to normal as fast as possible, provided it occurs in a way that asserts Iranian sovereignty. The best propaganda for Iran is a functioning strait where they look like the reasonable stewards of global trade, while the US looks like the disruptive force. If you look at the public messaging from Iranian officials, they're all trying to paint the US empire as a low-IQ malfunctioning thing, while positioning themselves as stewards for the world. The overarching goal from the Iranian side appears to be isolating the American empire and demonstrating that they can work with the rest of the world without the US. Shutting off the strait entirely again is akin to

detonating a nuclear bomb in a war against another nuclear power – it's an absolute last resort.

The Omani official we met compared Iran's long-term vision for Hormuz to Turkey's management of the Bosphorus and Dardanelles under the Montreux Convention. That framework has governed the Turkish Straits since 1936 with Turkey holding full sovereignty over the waterway and Commercial vessels passing freely. Warships are subject to restrictions, notifications and tonnage limits that Turkey enforces at its discretion. In wartime, Turkey can close the straits entirely to belligerent navies. The US, notably, is not a signatory. The arrangement has held for nearly ninety years, widely regarded as one of the more durable examples of rules-based order governing a strategic chokepoint.

Iran views what it's building now as the seed of something similar. Not a permanent blockade, but a sovereignty regime where Tehran controls the terms of passage, collects a toll, restricts hostile military vessels and permits commercial traffic under its own rules.

This is an important framing for investors because it tells you what the endgame looks like if the conflict doesn't end in total Iranian defeat. If the precedent Iran is reaching for is a framework that NATO member Turkey has operated successfully within for the better part of a century, do we have to start considering what that world looks like? Whether the US would ever accept that comparison is another question. In the short term, though, the options are a closed strait that will cause an economic catastrophe in the next 2-3 weeks, or this. But the fact that Iran is framing it this way tells you a lot about their confidence level and their intended audience: not Washington, but everyone else.

While we didn't speak with any Iranian decision makers, obviously, we did speak with Omani officials who have firsthand knowledge as to their view. It's easy enough to know how the US views this conflict, but it seems valuable to know how the other side is performing calculus on it.

Iran is viewing this as a wager with decent odds. In two out of three scenarios, they come out better off. Of course, in the third one, Iran doesn't exist anymore.

Iran's Wager: A Decision Tree



Source: CitriniResearch analysis, 2026.

CitriniResearch

All of the paths lead to ships flowing through the strait, though. The question is under whose flag they're sailing and who's collecting the toll, if any.

Centralized Iranian Command and The Houthi Card

The impression we got from our conversations with both the Omani official and villagers with close familial ties to the Iranian military was that, despite the significant losses they've taken, Iranian leadership is still centrally organized. There are no loose cannons at the top. The operations do not lack central coordination. This was consistent across every source.

The Omani official also made the point that Iran's behavior during the conflict — "lashing out, but with restraint" — is not the hallmark of a scattered or fractured regime. The proof: no ship that received IRGC clearance to transit has been hit. And the Houthis — the dog that hasn't barked — are being actively restrained. If Iran had lost operational control of its proxies, the Houthis would be the first to demonstrate it. They haven't. The targets they could hit but haven't are as informative as the ones they have. Restraint requires hierarchy, and hierarchy means the toll booth has a single operator.

Iran and Oman are working together to manage and police the strait. The Omanis view the strait as a shared responsibility. There were Iranian officials

in Oman at the time of our visit, discussing management protocols, although we did not attempt to speak with them for obvious reasons.

Hormuz & Bab al-Mandab



Strait of Hormuz



- 1) Critical global energy transit point.
- 2) Handles approximately 1/3 of seaborne oil traffic.
- 3) Focus of significant geopolitical risk.



Bab al-Mandab Strait



- 1) Strategic gateway between Red Sea & Gulf of Aden.
- 2) Vital link to Suez Canal shipping routes.
- 3) Regionally unstable with risk of disruption.

One of the most interesting pieces of intelligence from the trip: **the Houthis are being actively restrained by Iran**. This was told to us by a source in the Omani government and independently corroborated by our sources in military and government positions in the region.

The Houthis are historically first in any fight. Look at their track record against the UAE and Saudi Arabia. They're Iran's most aggressive proxy, and yet compared to Hezbollah, which is extremely active, the Houthis have been conspicuously quiet on Red Sea shipping. They've resumed launching missiles at Israel. They have not attempted to close the Bab al-Mandab.

That's deliberate. Iran is holding the Bab al-Mandab card in reserve, deploying it only if the conflict escalates to the point where Tehran needs maximum economic pressure. The Iranians are playing a hierarchy game. The fact that it hasn't been played yet is itself a signal of how calculated Iran's escalation ladder is. They're negotiating for sovereignty by letting ships through Hormuz and not holding the entire world hostage by directing the Houthis to seal off the Red Sea.

If that changes, we'll know the off-ramps have closed.

Throughout this conflict, the Iranians have shown a decent level of restraint. The Hormuz situation only started after a first war ended, a new war started, and their own internal red lines were crossed. That said, given where the US war path is heading, this level of Houthi escalation is possible.

Future Expectations:

What you'll see happening, and this was told to us directly by a source in the Omani Governor's office, is an uptick in traffic alongside continued ground conflict in Iran. Everyone stuck here isn't trying to stay stuck, they are trying to keep moving. The ground operations may or may not continue. Everyone else is trying to get on with their lives.

The consensus from everyone we spoke to was this: American and American-aligned vessels are going to have a hard time crossing for the duration of the conflict. But everyone else is queuing up for approval.

The list of approved nations is expanding fast. On March 26, Iran granted passage to five countries: China, Russia, India, Iraq, and Pakistan. Within a week, Malaysia, Thailand, the Philippines, France, and Japan had all secured access. We expect this list to keep growing as the rest of the world decides that guaranteeing its own energy supply is worth the diplomatic cost of dealing with Tehran.

We would be very surprised to see another EU ship struck over the rest of the conflict unless something drastically changes.

Our confidence in the strait gradually reopening is as high as it can be without certainty. It was the overwhelming conclusion driven by every experience and conversation on this trip. **The range of outcomes reduces to this: either the US sends Iran to the stone age, in which case they lose all capacity to enforce sovereignty and the strait reverts to open passage under American security. Or the conflict drags on, becomes expensive and unpopular, and Iran gets some version of what it wants — the strait reopening under Iranian management.**

Meanwhile, the path of least resistance for every country that isn't America is to cut a deal with Iran and keep moving.

The Trades of Hormuz

Don't worry - we haven't forgotten why we exist. Exciting stories from Analyst #3 aside, we are, first and foremost, investment research analysts.

The entire purpose of our voyage has been to give us better information to invest upon.

In our January [Macro Memo](#), we began paying attention to the geopolitical tensions that had been rising since the Fordow operation. We did the same thing that we are attempting to do now – find trades that don’t necessarily have to rely on a specific conflict outcome in order to have upside. We settled on a basket of oil and product tankers, heavily overweighting the ETF tracking tanker rate futures – **Breakwave Tanker Shipping (BWET US)**.

“There’s a more interesting trade (with more non-Iran tailwinds) in the tankers. The structural setup here is more compelling than a simple geopolitical punt. There are a confluence of factors: record levels of Iranian crude sitting on tankers, an aging global fleet, tightening Western sanctions on shadow shipping, and a VLCC market already trading at multi-year highs.”

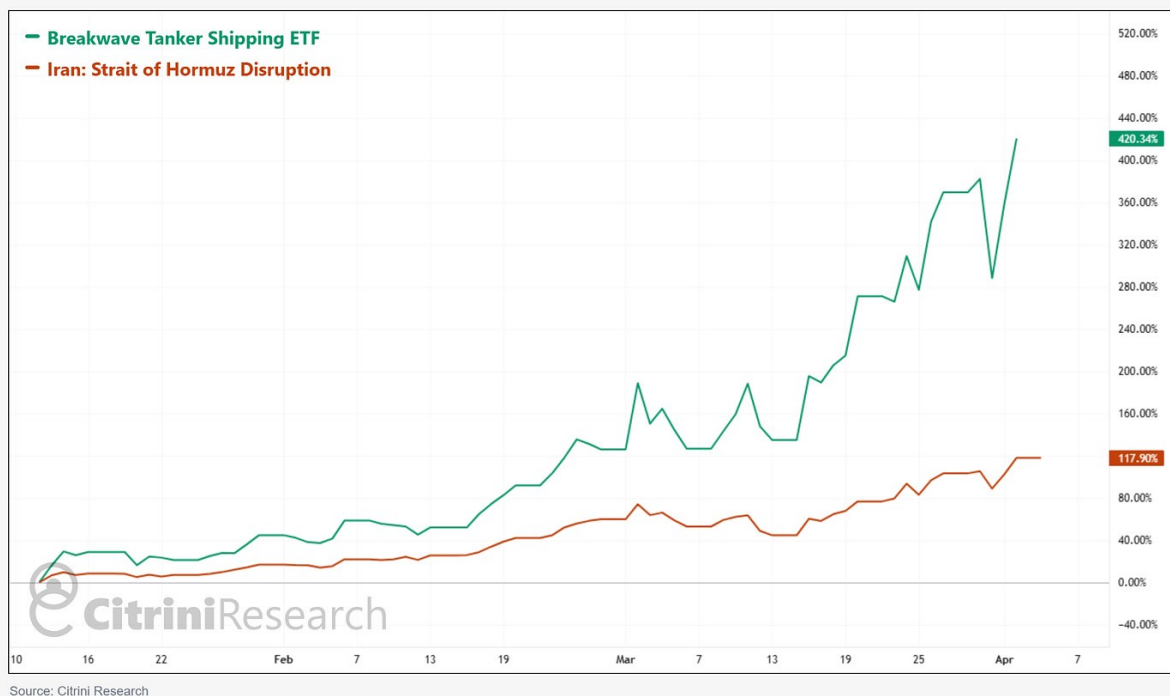
Macro Memo: January 2026

Geopolitical Tailwinds: Tanker Basket

Name	Ticker	Weight
BREAKWAVE TANKER SHIPPING	BWET US Equity	20.0000%
FRONTLINE PLC	FRO NO Equity	15.0000%
DHT HOLDINGS INC	DHT US Equity	15.0000%
OKEANIS ECO TANKERS CORP	ECO US Equity	12.5000%
SCORPIO TANKERS INC	STNG US Equity	10.0000%
TORM PLC-A	TRMD US Equity	8.0000%
TEEKAY TANKERS LTD-CLASS A	TNK US Equity	6.5000%
INTERNATIONAL SEAWAYS INC	INSW US Equity	5.0000%
TSAKOS ENERGY NAVIGATION LTD	TEN US Equity	4.0000%
NORDIC AMERICAN TANKERS LTD	NAT US Equity	4.0000%



This performed well.



We feel that the tankers have yet to put a top in. In nearly every scenario, we see persistently elevated rates. Tanker companies are likely to continue printing money even if the Strait were to open completely tomorrow. Still, it's undeniable that with the momentum these names have picked up (BWET has more than quadrupled) there will be heightened volatility and they'll trade off of headlines in the short term independent of their long term prospects.

That's why we created our expanded "[Iran Conflict Beta](#)" basket that we shared with subscribers in our chat [here](#). This had a similar goal – how can we extrapolate *what has already happened* in terms of damage to facilities in order to put together a basket that will continue to benefit even if the conflict were resolved tomorrow.

Iran Conflict Basket (Inception: 02/27/2026)



Since inception, the basket has climbed +17%.

It is clear from the majority of our conversations that the damage to oil refining and gas processing infrastructure has been significant and drastically underreported. Additionally, the refined products market is significantly tighter than the crude oil market at the present moment – which is why this basket overweights refiners and products. However, we’re also expecting at least front month oil prices to go down as traffic opens back up. We feel the most asymmetric of these areas remains in US petrochemicals.

We don’t feel enough conviction to forecast the short term direction for the US equity market, which is not solely a function of the outcome of this conflict. From a historical perspective, there’s a reasonable dispersion of outcomes.

S&P 500 Performance During Major Geopolitical Conflicts

6-month forward returns and maximum intra-period drawdowns from conflict onset

Conflict	Start Date	S&P 500 at Start	S&P 500 at +6 Mo.	6-Month Return	Max Drawdown (Intra-Period)
World War II (Pearl Harbor)	Dec 8, 1941	8.97	8.47	-5.6%	-16.7%
Korean War	Jun 26, 1950	18.11	19.92	+10.0%	-7.9%
Vietnam War (Gulf of Tonkin)	Aug 3, 1964	83.00	87.58	+5.5%	-2.0%
Vietnam War (US Troops Deployed)	Mar 8, 1965	86.83	88.36	+1.8%	-6.0%
Cambodian Campaign (Vietnam)	Apr 29, 1970	81.81	83.36	+1.9%	-15.3%
Yom Kippur War / Oil Embargo	Oct 8, 1973	110.23	92.03	-16.5%	-17.8%
Iranian Hostage Crisis	Nov 5, 1979	101.82	106.38	+4.5%	-3.5%
Gulf War (Iraq Invades Kuwait)	Aug 2, 1990	351.48	343.05	-2.4%	-15.9%
Gulf War (Desert Storm Begins)	Jan 17, 1991	327.97	384.22	+17.2%	0.0%
War in Afghanistan (Post-9/11)	Sep 17, 2001	1,038.77	1,154.09	+11.1%	-7.0%
Iraq War	Mar 19, 2003	874.02	1,039.58	+18.9%	-3.0%
Russia Invades Crimea	Feb 27, 2014	1,854.29	2,003.37	+8.0%	-2.1%
Russia Invades Ukraine	Feb 24, 2022	4,288.70	4,057.66	-5.4%	-14.5%
Israel/US-Iran War	Jun 12, 2025	6,045.26	6,827.41	+12.9%	-1.3%
US-Iran Escalation	Mar 2, 2026	6,881.62	6,582.69*	-4.3%*	-7.8%

Source: Bloomberg, CitiriniResearch | *Ongoing as of Apr 2026

Median 6-Mo. Return: +4.5% | Positive: 67% of conflicts

If we are wrong about the traffic in the strait continuing to trend upwards, and it goes back to being effectively closed rather than continuing to trend up through mid-late April it's very likely that global equities would go down significantly (~15-20%). Our base case right now is that equities will continue to experience heightened volatility as the conflict escalates and proceeds, but that concerns over a global energy crisis will give way to a more nuanced view of increased traffic through the strait with elevated (but not catastrophic) prices in tandem.

1. US Petrochemicals

Damage to Gulf petrochemical infrastructure has impacted this market structurally, and we see that coming up against a potential cyclical inflection that could make this the most asymmetric position. US petrochemical companies, who have uninterrupted access to cheap domestic feedstock, will greatly benefit from the global dislocation and surging prices.

"We were already beginning to see market signs of improvement in the first quarter before the Middle East conflict began. And now pricing actions and supply dynamics have **evolved at a very rapid and constructive pace [...]** and in March already, **we have announced price increases in every business in every region [...]**

Global logistics have become uncertain with **up to 50% of polyethylene supply either offline, constrained, or being impacted** following the events in the Middle East. In addition, inventory levels are historically low across the value chain.”

- **Dow CEO James Fitterling, 3/18/26**

Dow’s polyethylene \$0.10 price hike in March, has been followed by a \$0.30 price hike in April (double the previously announced \$0.15 expectation).



Seek **Together**



Dow Packaging & Specialty Plastics
Price Update

Price Modification for April 2026

March 24, 2026

Dear Valued Customer,

The Dow Chemical Company and Dow Chemical Canada ULC ("Dow") will modify the previously announced US\$0.15/lb price increase to US\$0.30/lb for all HDPE/LLDPE/LDPE resins sold in the United States and Canada, respectively, effective April 1st, 2026, or as otherwise allowed by contract.

Your local Dow representative will contact you to answer any questions you may have regarding these price movements.

We appreciate your continued business.

Sincerely,

A handwritten signature in black ink that reads "Izabel Assis".

Izabel Assis
North America Commercial Vice President
Packaging and Specialty Plastics
The Dow Chemical Company

Global Environment Remains Dynamic

1Q Showing Modest Signs of Improvement in Some Areas **Before** the Beginning of the Middle East Conflict

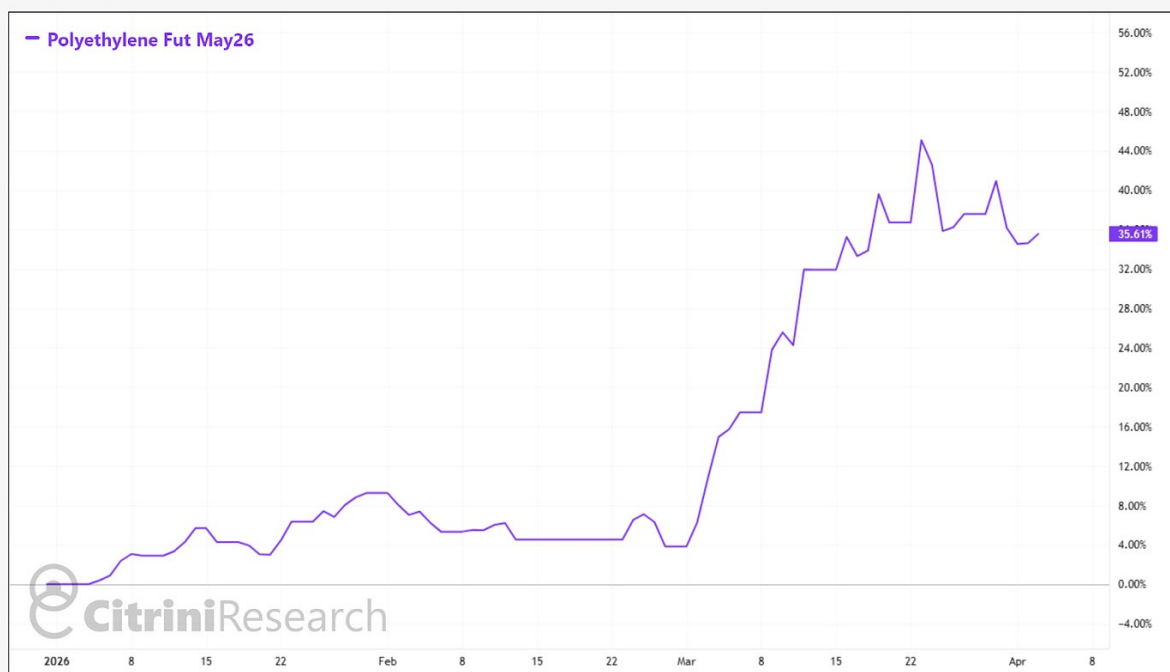
- + Self-help actions continue to gain momentum, will build across 2026
- + YTD, NAA PE pricing is up; Industry inventory remains low across the value chain
- Monitoring post Lunar New Year trends in late March to assess potential impacts on demand in Asia
- Underlying global demand environment remains unchanged across key market verticals in most regions

2Q Margin Backdrop Inflecting **Following** the Beginning of the Middle East Conflict

- + Geopolitical events could pressure 1Q margins, but should provide meaningful tailwinds to mid-year 2026 earnings
- + Positive price momentum expected heading into 2Q across Dow portfolio, entering traditional high seasonal demand period
- + Industry supply environment expected to show significant support via Middle East and Asian asset limitations
- Trade and tariff backdrop provides additional heightened near-term volatility

Last week, Dow's CEO James Fitterling predicted it could take 250 - 275 days for the supply to normalize even after the Strait of Hormuz reopens as shipments of oil, natural gas and fertilizer take priority.

Polyethylene Prices YTD



The capacity destruction is real and the rebuild timeline is measured in years, not quarters. We opt for US-based producers who sit on the right side of this: **Dow (DOW US)** and **Westlake (WLK US)** are the primary positions.



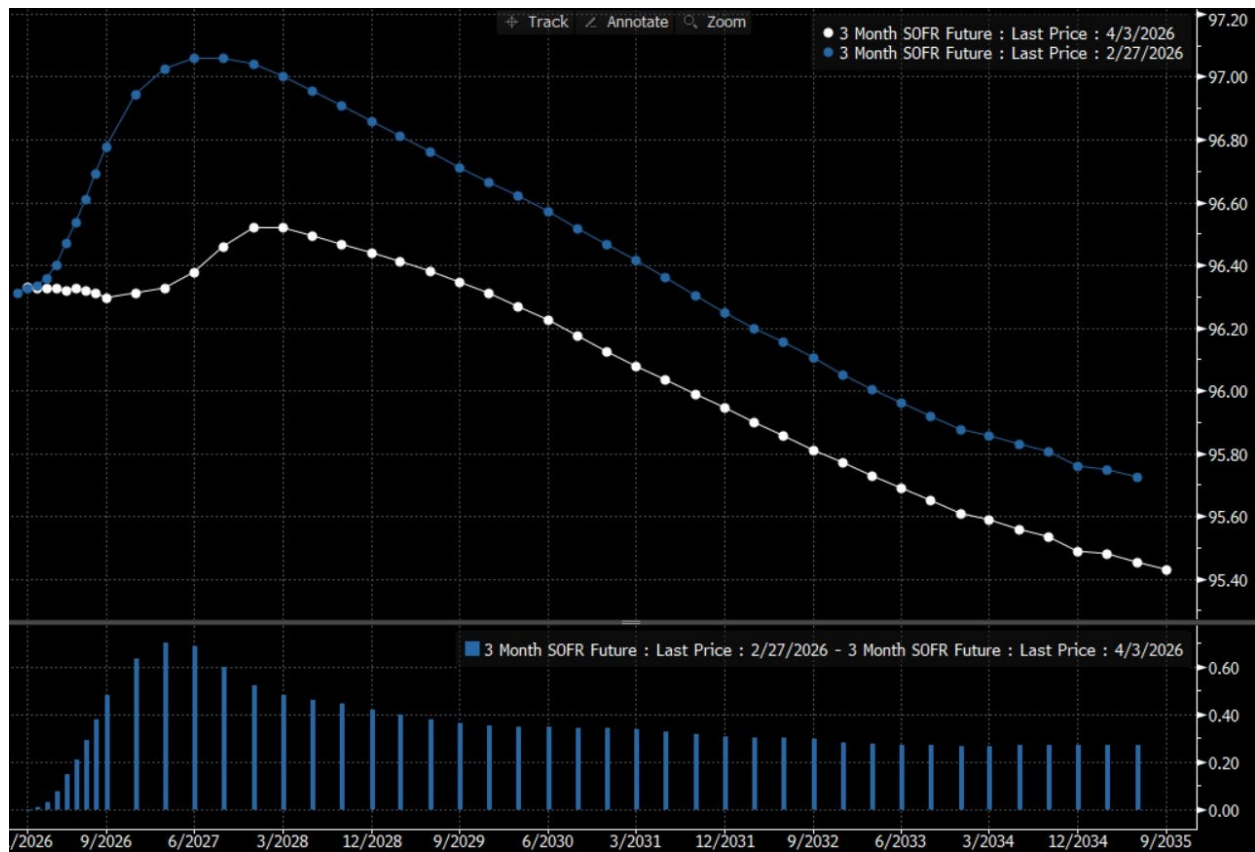
Source: Citrini Research

Even if the strait were to fully open tomorrow, we don't think prices are going back down to where they were before the conflict. That's pretty meaningful for stocks that are still in 50% drawdowns from their highs.

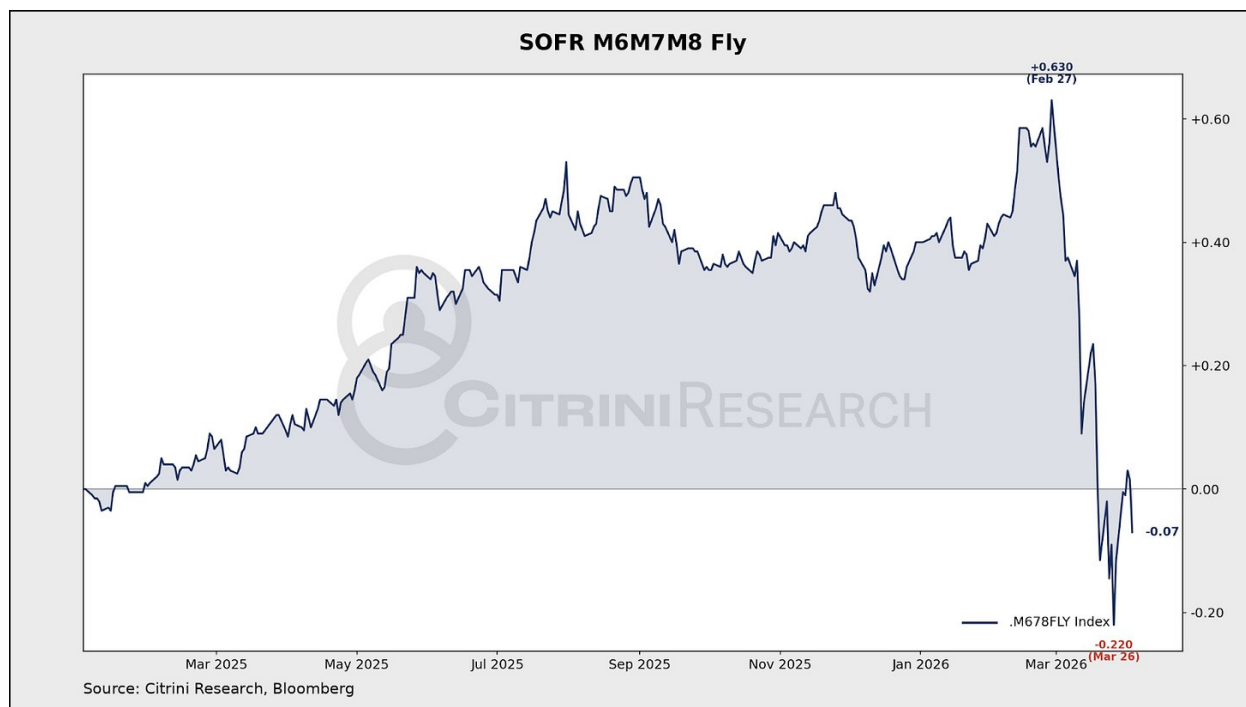
2. Macroeconomic Situation

2a. Short Term Interest Rates

About two weeks ago, we put on a trade that pairs a short on ES with a long on SFRH7. We still feel that the Fed will look through the impact of the conflict and not rush to raise rates, but the overreaction that brought SFRH7 down to 96.05 has resolved somewhat and it now sits around 96.40. From here, we find the curve interesting.



Before the conflict broke out, the SFRM6-SFRM7-SFRM8 fly had priced in nearly 3 more rate cuts between M6 and M7 than M7 and M8 – now that’s 0. Playing for cuts to be pulled forward again seems asymmetric, as fears of global inflation due to strait closure ease and any potential for longer term impacts to weaken the economy and pull forward cuts.



2b. Relative Country-Level Positioning

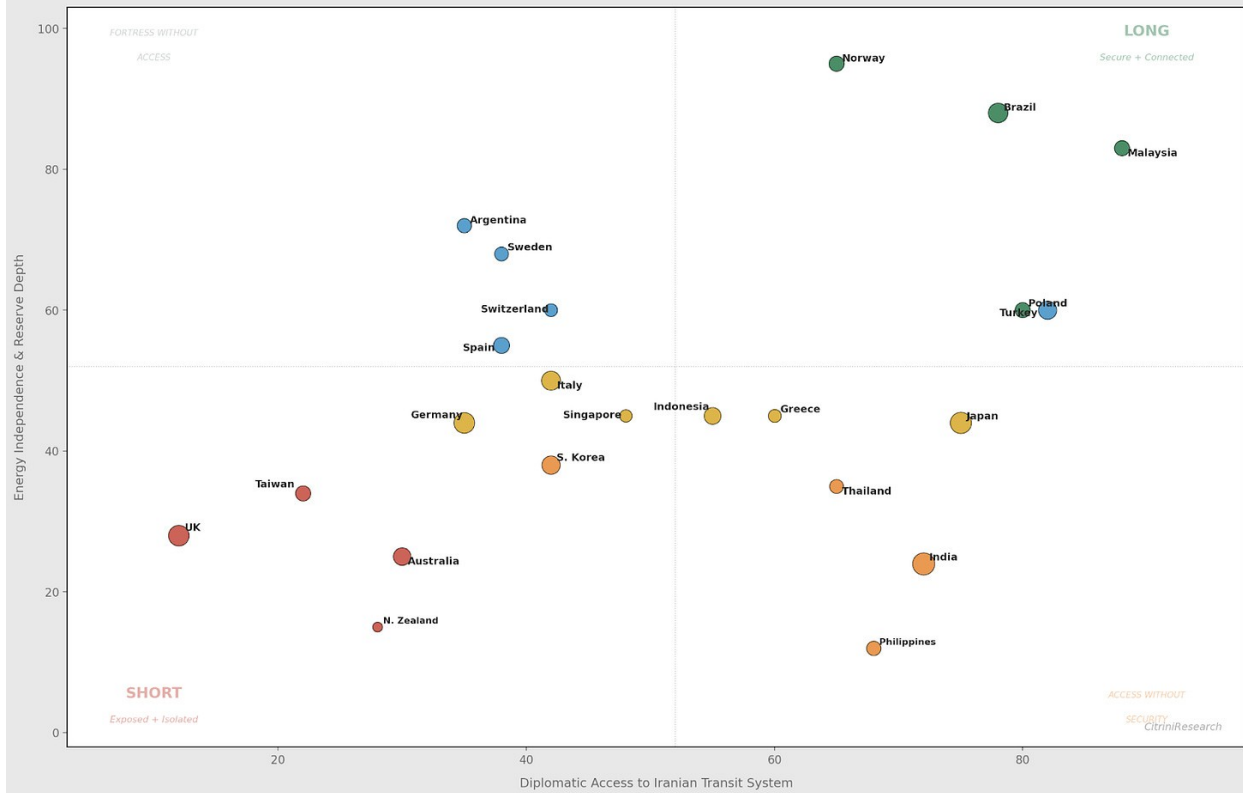
As we mentioned earlier, we are too acutely aware of the trigger finger investors have when it relates to stocks and headlines right now to make a very near term call on the direction of equity indices. *However*, we're pretty content to do so on a relative basis.

It's a bit more complex than just "who's got the least reserves" if we're expecting any sort of continued reopening. And if we want to position in a way where this toll solution is the way things proceed for the time being, we should also add in a lens that views things through diplomatic relations.

- Level of Energy Security (measured by energy imports going through the strait, size and composition of strategic reserves)
- Willingness to "Play Ball" with whoever controls the Strait (if they've already negotiated to get ships through, that's a good sign they'll be able to navigate however this plays out. If they've expressed unwillingness to do so, especially in light of criteria A being weak, they're probably worse off)

The Hormuz Toll Booth: Global Positioning Matrix (23 Countries)

X: Bilateral diplomatic access to Iranian transit regime | Y: Energy resilience (domestic production, SPR, refining capacity, supply diversification)
Bubble = GDP weight | Green = Long | Blue = Constructive | Gold = Mixed | Orange = Stressed | Red = Short

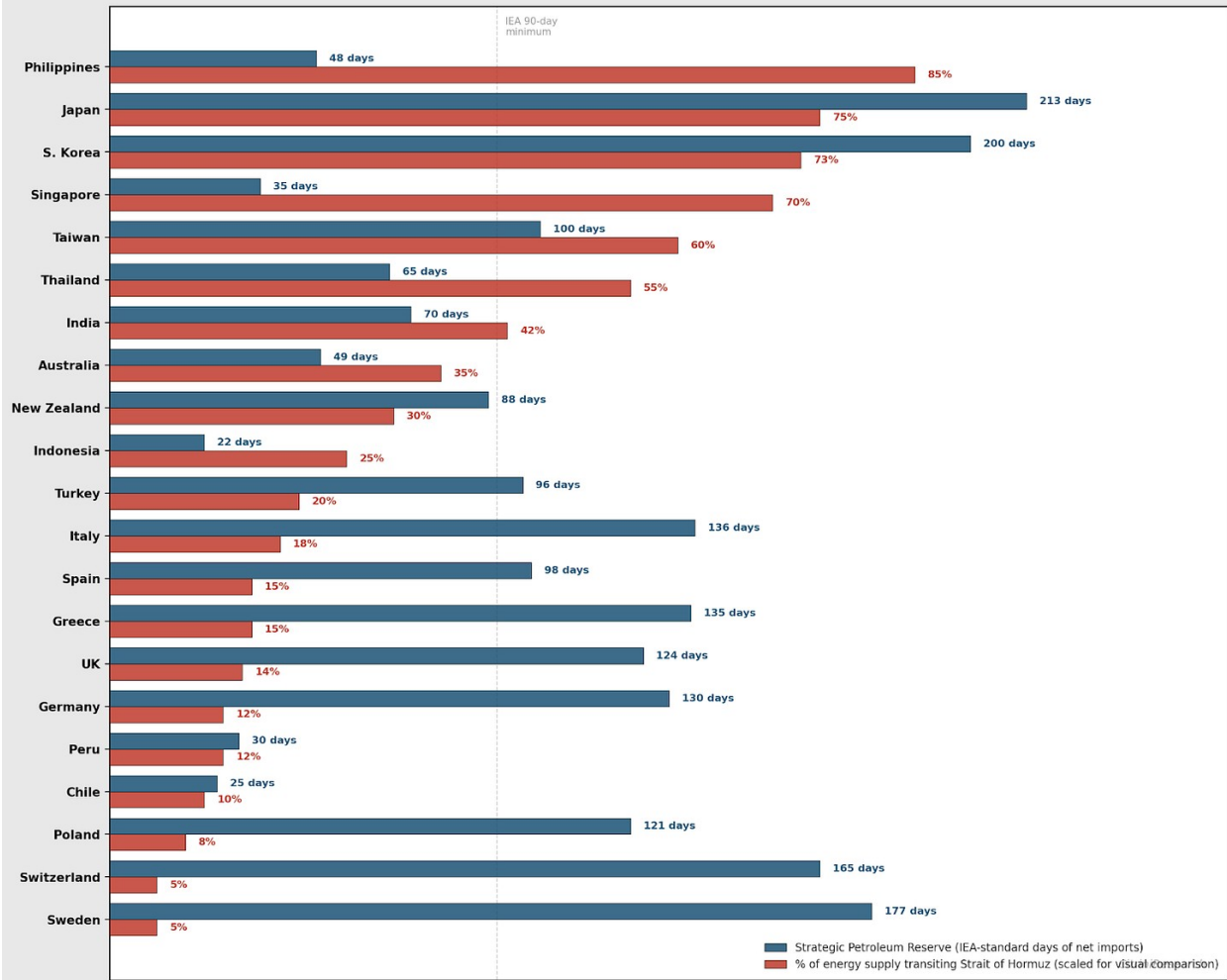


Source: CitriniResearch composite scoring, IEA, EIA, national energy agencies, diplomatic reporting, Lloyd's List, Kpler, Al Jazeera, Bloomberg

Days of Reserves vs. Hormuz Dependency by Country

Sorted by Hormuz dependency (highest at top) | Excludes net exporters with 0% Hormuz exposure (Norway, Brazil, Malaysia, Colombia, Argentina)

SPR = IEA-standard days of net imports where available. Japan (213d) and Korea (200d) use IEA metric; national figures are higher.



Source: IEA Oil Stocks database (latest available), national energy agencies, Philippines DOE, Thai EPPD. Hormuz % = CitrinResearch estimates.

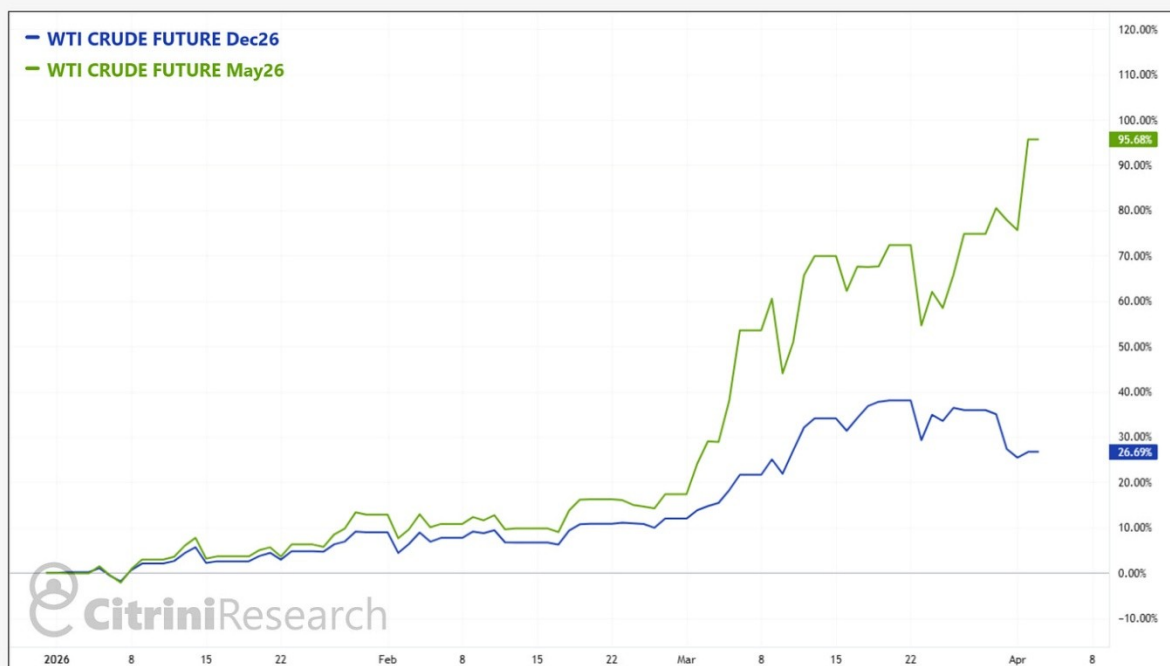
A few potential country long/short pairs that fall out of this analysis naturally:

- **Long Norway / Short Australia** (net exporter with no chokepoint vs. net exporter that can't refine its own fuel)
- **Long Malaysia / Short India** (terms-of-trade transfer, both have diplomatic access, opposite energy positions)
- **Long Poland / Short UK** (European energy security divergence, diplomatic neutrality vs. leading the opposition)
- **Long Japan / Short Korea** (diplomatic execution gap - Japan has the most friendly relations with Iran out of any of the G7, same structural exposure, different crisis management)

- **Long Turkey / Short Germany** (European energy corridor vs. European energy consumer, mediator vs. bystander)

3. Long CLZ6/Short Front Month:

This should drive home that what we've described as our view of the conflict is nuanced – it doesn't fit neatly into "strait open crude down" or "strait closed crude parabolic". We think long December 2026 WTI crude works well from here, and would ultimately be on the lookout to put on long CLZ6 versus short front month. We have to caution that we'd keep a tight stop on the front month leg given the potential for nonlinear developments associated with a ground operation (or simply wait to put it on), which could spike the front end in ways that hurt the short leg before the thesis plays out. The front month at \$110 and December 2026 at \$71 tells you the market is pricing a short, sharp disruption.



Source: Citrini Research

We think the disruption is longer and the new normal involves a permanent risk premium, but that we'll likely see as high as 50% of pre-conflict traffic within the next 4-6 weeks. We'll be looking for opportunistic adds to build this position, and we're already long CLZ2026 in our macro trade list.

4. EU and Japan Energy Independence + Defense:

Regardless of how this conflict resolves, the new paradigm where the US has left its allies to fend for themselves will result in more fiscal spending directed towards both energy independence and defense.

Every ceasefire rumor that knocks these names down is an opportunity. The structural shift in European and Japanese energy and defense policy is permanent whether Hormuz reopens next week or next year. It feels asymmetric to buy dips caused by headlines about resolution or deals. An easy expression of this is the **Europe Aerospace and Defense ETF (EUAD US)**

At the same time, both the EU and Japan will be focused on ensuring that they move towards securing energy independence – this will motivate their fiscal spending. Additionally, many companies with upside to such a trend also will benefit from any windfall due to higher electricity prices (especially where the price of electricity is primarily dictated by the price of gas). This provides an asymmetry in which the strait having a more gradual reopening is beneficial, but the simple fact that the world is becoming more multipolar and US security guarantees are less assured is enough to get this moving.



Source: Citrini Research

We have assembled a basket / watchlist of companies that we feel fit this description in the EU and Japan:

Energy Sovereignty Basket		
Company	Ticker	Rationale
Fortum	FORTUM FH	Near-zero cost hydro/nuclear fleet sells into gas-set wholesale. EUR 9.7/MWh optimisation premium from timing hydro dispatch into peak hours.
RWE	RWE GR	~30 GW renewables + flexible gas plants. Profits on both sides of the merit order: renewables capture clearing prices, gas fleet captures spark spreads.
SMA Solar	S92 GR	Every solar panel in Europe needs an inverter. Order books expand with fast-tracked buildout. Battery storage inverter exposure adds a second vector.
Neste	NESTE FH	World's largest renewable diesel producer. Stock -35% after ME escalation early 2026. Crude spikes narrow the fossil-to-renewable diesel spread.
Iberdrola	IBE SQ	Europe's largest utility — ~60% EBITDA from regulated networks anchors earnings; renewable fleet captures wholesale on unhedged volumes. EUR 6.3B net profit '25.
Acciona Energia	ANE SQ	+12 GW wind/solar/hydro, heavy Iberian merchant exposure. Depressed multiples vs. installed capacity. Purer wholesale price bet than Iberdrola.
EDP Renovaveis	EDPR PL	~16 GW operational, Europe's largest renewable developer. Morningstar FV EUR 13 vs ~EUR 7.50 trading. European assets capture gas-set clearing prices.
Nordex	NDX1 GR	Onshore wind turbines, the segment fastest to permit and build. More leveraged to European volume growth than Vestas.
Scatec	SCATC NO	~4.6 GW in emerging markets where tariffs benchmark to fossil costs. Higher oil/gas prices improve relative economics for every new bid.
Redeia	RED SQ	Spain's grid operator. EUR 6.5B capex through 2029. Every new renewable MW in Iberia needs a grid connection. Regulated returns, accelerating cycle.
Verbio	VBK SY	Bioethanol, biodiesel, biomethane. Stock +19% on conflict escalation. CEO: rising fuel prices "extraordinarily beneficial." Biomethane subs for Russian gas.
Verbund	VER AV	~67% hydro at near-zero marginal cost into gas-set Austrian wholesale. Avg. sale EUR 116.3/MWh in '25; EBITDA EUR 2.74B despite drought year.
Renova	9519 JP	Japanese renewable IPP: solar, biomass, wind, hydro. Japan imports ~10% of primary energy. Domestic generation is a national security line item.
GS Yuasa	6674 JP	Battery manufacturer for storage and autos. Storage is the missing link for integrating intermittent renewables and displacing gas peakers.
Drax	DRX LN	UK biomass/hydro baseload. Higher gas prices widen the spread between fossil and biomass generation. Capacity market payments provide floor.
West Holdings	1407 JP	Japanese solar developer. Feed-in tariff regime and generation-displacing renewables targets built to reduce import dependence.
Vestas	VWS DC	World's largest wind turbine OEM. EUR 735M operating profit FY2025, beat guidance. Order intake tracks government capacity target announcements.
Orsted	ORSTED DC	Global offshore wind leader. Large-scale domestic generation displacing imported gas. Accelerated permitting is the catalyst.
Greenergy	GRE SQ	"Merchant 58 PPA" solar + storage developer. ~30% merchant exposure. Storage shifts solar output into higher priced hours.
Solaria	SLR SQ	Spanish solar IPP. 25% merchant FY24 moving to 100%. Purer Iberian wholesale price play. Adding 516 MWh battery storage for intraday arb.
Northland Power	NPI CN	Major European offshore wind (Gemini, Deutsche Bucht, Nordsee One) with direct wholesale price exposure to European energy markets.

Source: CitriniResearch



Broader Thematic Implications

This will be messy, it will require nuance – even the reaction on Twitter to our post about observing more ships going through the Strait had reactions that deemed that impossible because the conflict was ongoing. People will need to change their binary frameworks.

Still, the Iran conflict is just one block in the new world order that's been building up for the past decade. It's more complex than *"declining American hegemony"* and more complicated than *"every country spends more money on defense and energy"*. As alliances become negotiable, situational,

transactional, and states no longer wait for a single hegemon to restore order, there will be wide ranging investment implications.

This doesn't stop here - Venezuela, Iran, Cuba...they are all part of a broader strategy that ends with a very different looking world.

What should we be putting on our radar right now? Things like what the world looks like if Iranian sanctions get dropped or Cuba becomes part of the US or the EU acts more like a bloc. The conflict angle is paradoxically the smallest part of the story compared to what happens when every country on both sides of the strait starts behaving like a sovereign actor with its own balance sheet to protect. That shift changes how investors should think about security, industrial policy, and the winners and losers from a slow reorganization of the prevailing world order. That is the subject of our upcoming thematic primer, ***Age of Empires***.

For now, we are content with what we've learned on our excursion. Analyst #3 is safe and ready for the next one.

We feel, for the first time since this conflict began, that we can more confidently assess the extent of the risks and more clearly define the potential outcomes and probabilities thereof. We didn't think we'd come out of this with a more optimistic view, but the reality is it's hard to go anywhere but up when your view is a prolonged and total closure of one of the most vital waterways for energy on Earth. The complex reality is that the Strait is not fully closed and is likely to see traffic pick up, but that the conflict is unlikely to resolve neatly and quickly. That's difficult to translate into the next 100 points for SPX, but it's what's happening.

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